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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963.

No. 554

POPEIL BROTHERS, INC.,

Petitioner,

vs.

KARL ZYSSET AND NEW-NEL KITCHEN PRODUCTS COMPANY,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

PETITIONER'S REPLY TO RESPONDENTS' BRIEF IN OPPOSITION.

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1. The Petition for Certiorari demonstrated that the decision of the Court of Appeals for the Seventh Circuit is violative of, and if permitted to stand, will make a deep inroad into, the "rather severe test" heretofore insisted on by this Court for determining the validity of combination patents. Unable to contradict that demonstration, Respondents advance not a syllable of argument attempting to justify the decision on patentability.

If the Zysset patent were other than a mere unpatentable aggregation of old elements, each separately performing its time-worn function, it is a certainty Respondents would have shown the new or different function created by the combination. That was impossible. As a consequence, Respondents have been forced to argue not that the decision on patentability is right, but that there is nothing this Court can do about it. That argument is devoid of merit and is based upon gross misinterpretation of the record and of established rules of judicial procedure.

But the fact of overriding importance in determining whether the writ should issue is that on the question of patentability the inescapable fact is that, for this Court's specific, demonstrable, objective test of whether new result, or function, has been created by a combination, (heretofore the *sine qua non* of combination patentability), the Court of Appeals has substituted a test of mere novelty of combination or structure which produces no new result or function.

2. On the damage issue the Brief in Opposition seeks to justify the award of all of Petitioner's profits, not by demonstrating harmony between the Circuits as to use of "profits", either those made by the infringer or those shown to have been lost by the patentee, as a complete or partial measure of damages, but by asserting repeatedly that this is a case of "wilful and deliberate infringement." Those assertions have no bearing on the proper measure of *compensatory* damages and are gross and reprehensible misrepresentations of the record:

In the District Court's findings of October 3, 1958 on *validity*, and at a time when the question of wilfulness was irrelevant, there was a finding of wilfulness (App. 35 a). However after the Court of Appeals had found that the principal claim of the Zysset patent was invalid and further evidence on validity and damages had been heard,

and at a time when presence or absence of wilfulness *was* material, the District Court found, on July 13, 1962, that:

> "* * * the defendant did get legal counsel before acting in this case and that counsel was to the effect that plaintiff's patent was invalid. For all reasons herein set forth, the court does not allow any exemplary damages to the plaintiff" (App. 64 a).

That is the governing finding and it negates wilfulness. Even the Court of Appeals did not approve punitive or exemplary damages, nor award attorneys' fees.

The question as to the measure of recovery, therefor, must be considered in an atmosphere cleansed of the misrepresentations of wilfulness. And so long as exemplary damages are not involved, "wilfulness" is not germane to the measure of compensatory damages under the statute.

I.

THE COURT OF APPEALS' HOLDING PROMULGATING A NEW AND LOWER STANDARD OF INVENTION FOR COMBINATION PATENTS IS PROPERLY PRESENTED FOR REVIEW.

Respondents argue that the question of the validity of Claim 2 is not open for review because (a) this Court denied a Petition for Certiorari from the Court of Appeals' decision upon interlocutory appeal upholding Claim 2, and (b) because no review is now sought of the Court of Appeals' judgment in its cause No. 14007 which was concerned with Petitioner's application for relief from judgment in the District Court. Neither point is tenable:

(a) The Denial of Certiorari on the Interlocutory Appeal is Immaterial.

Nothing is better settled than that denial of certiorari with respect to an interlocutory judgment in a patent or trademark case does not preclude the granting of certiorari on the subsequent final judgment and that on such "review of a final decree [the Court] can reach back and correct errors in the interlocutory proceedings below, even though no attempt was made to secure review of the interlocutory decree or even though such an attempt was made without success. *Toledo Scale Co.* v. *Computing Scale Co.*, 261 U. S. 399, 418 (1923); *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251, 257-258 (1916)." *Stern & Gressman*, Supreme Court Practice 19 (3rd ed. 1962).[1]

In *Hamilton-Brown Shoe*, cited by Stern & Gressman, and in which a petition for certiorari to review an interlocutory judgment on validity of a trademark was denied, but one to review the final judgment after damages had been assessed was granted, this Court stated:

> "This Court in now reviewing the final decree by virtue of the writ of certiorari, is called upon to notice and rectify any error that may have occurred in the interlocutory proceedings"; (240 U. S. at 258).

At the time (1960) the Petition for Certiorari to review the interlocutory decision was filed here, the record did not

1 Respondents' citation of the *Toledo Scale* case, cited by Stern & Gressman, for the proposition that this Court will not review points which were raised, or might have been raised, in an earlier Petition for Certiorari is a mis-citation of that case. *Toledo Scale* expressly framed the principle stated in the text, but held that where the previously denied Petition for Certiorari had been filed to review a *final* decree, the Court had no *power*, after the statutory period for review of the final decree had passed, to review that decree upon a new Petition for Certiorari filed to review collateral proceedings.

present the validity issue actually decided by the Court of Appeals for the case had been tried solely on the question of asserted novelty in the rotating or indexing mechanism (Claim 1). No findings had been requested or made, by the District Court as to the validity of Claim 2 as an independent claim (App. 21 a, et seq.). When the Court of Appeals, in its first decision, held the indexing mechanism to be old and struck down Claim 1, but upheld Claim 2 on the strength of believed novelty in the sinuous blade and wiper cup (App. 41 a), it made a *new* finding that had been made *neither* by the Patent Office *nor* by the District Court.[2] Petitioner then filed in this Court a "Petition for Certiorari and Motion to Vacate Portion of Court of Appeals' Judgment and Remand to the District Court." The prayer was that "this Court enter its order vacating so much of the order of the Court of Appeals as finds Claim 2 of the patent to be valid and infringed and remanding the case to the Court of Appeals with directions for it to remand to the District Court, or, in the alternative, remanding directly to the District Court with directions for it to consider and determine the validity of Claim 2 in light of the fact that Claim 1 is invalid" (No. 232, Oct. Term 1960, Petition and Motion, p. 13). That petition was denied by this Court.

The Wilson and McCally patent with its "curved or zig-

2 The suggestion in the Brief in Opposition that Petitioner "*induced*" the Court of Appeals to affirm the District Court as to Claim 2 is grossly improper. The original *opinion* of the Court of Appeals clearly held that the indexing device in the Zysset patent (Claim 1) was old, but inconsistently the original *order* affirmed the District Court as to both Claims 1 and 2. On Petition for Rehearing, Petitioner pointed out that the only *order* which the Court of Appeals could enter consistent with its opinion, right or wrong, was one reversing the District Court as to Claim 1 and affirming only as to Claim 2. The Court of Appeals modified its order (App. 44a). This was quite different from urging the court to uphold Claim 2. Petitioner always has denied the validity of both claims.

zag" knife or knives and "correspondingly formed clearing plates." (Cons. Add'l App. 10b) was referred to, as counsel assert, in the first Petition for Certiorari as a matter of general information, but the patent itself was not then actually in the record. One of the reasons for the Motion to Remand was to permit it to be placed in the record so that it could be considered by the District Court and, if necessary, by the Court of Appeals and ultimately by this Court as we now ask. The District Court did later receive the Wilson and McCally patent and this led to the Court of Appeals' second opinion by which it retreated from its initial holding that Zysset's "sinuous" blade and correspondingly formed wiper cup constituted invention and announced that a combination of old elements into a single structure is patentable if no one has combined them before, even though each such element performs exactly, and only, its own independent function and no new result is demonstrable. It is this shocking and revolutionary inroad into the standard of invention which is now before this Court for the *first time*.

(b) The Fact That No Review is Sought of the Court of Appeals' Judgment in its Appeal No. 14007 is Immaterial.

Appeal No. 14007 was an appeal from the District Court's denial of Petitioner's Motion for Relief from Judgment which motion was filed after the District Court's final decree. Review of the denial of that motion is not necessary to determine the question of validity which is otherwise presented by the record. The Court of Appeals' opinion squarely holds, even on the evidence in the record *prior* to the final decree, that *every* element of Zysset's combination was old and unpatentable (App. 10a-11a) but nevertheless that one may combine an assortment of old

elements, never before combined and obtain a patent thereon, even though they do not cooperate together to achieve any new result or function. This novel doctrine is fully open for review quite apart from the ruling in appeal No. 14007.

(c) The Court of Appeals Has Promulgated a New and Lower Standard of Invention.

As predicted (Pet. 11-12), Respondents, without argument or demonstration, have given a quotation from the Court of Appeals' opinion in an effort to persuade that that Court did find a new result was produced by Zysset's combination of old elements. They do this by quoting (Br. 30) a paragraph from the second opinion which in turn, quotes *part* of a paragraph from the first opinion, stopping just short of the key sentence therein which stated:

> "Here the *sinuous blade constituted invention* although found in a combination of other elements which were old in the art." (App. 41a; 276 F. 2d at 357. Emphasis added.)

The only new, or allegedly improved "result", or novelty, ever hinted at by the Court of Appeals, was that of the sinuous blade. Because this was clearly erroneous it was abandoned by the Court of Appeals in its second opinion. The inescapable fact thus emerges that the Zysset patent is simply an aggregation of old elements that achieves no new result. Although repeatedly challenged (See Pet. p. 13), Respondents have been unable to demonstrate that Zysset combination produces any new or different result or function.

This is not an isolated monopoly creating decision by the Court of Appeals for the Seventh Circuit. It is one of several recently handed down; all of which reflect a general philosophy that the first user of a device should have

monopoly protection even though the device is unpatentable (*Compco Corp.* v. *DayBrite Lighting, Inc.*, No. 106, this Term; *Sears Roebuck & Co.* v. *Stiffel Co.*, No. 108, this Term), or that combinations that fail to meet usual patent tests but which have proved commercially successful nevertheless should be sustained as valid patents. (*Copease Mfg. Co.* v. *American Photocopy Equipment Co.*, 298 F. 2d 772 (7th Cir. 1961); *Devex* v. *General Motors Corp.*, 321 F. 2d 234 (7th Cir. 1963); Pet. for Cert. filed November 12, 1963, No. 618, this Term; *Ekco Products Co.* v. *Chicago Metallic Manufacturing Co.*, 321 F. 2d 550 (7th Cir. 1963), Pet. for Cert. filed November 12, 1963, No. 616, this Term).

This case, *Devex*, No. 618, this Term, and *Ekco Products Co.*, No. 616, this Term, all present instances of a disregard by the Seventh Circuit of the standard of invention insisted on by this Court in combination patents. We submit that *certiorari* should be granted here; indeed, the case well could receive summary, *per curiam* reversal on the simple ground that the elements required by *Great Atlantic & Pacific Tea Co.*, summarized at page 9 of the Petition, were not found either by the District Court or the Court of Appeals.

But if the court should choose not immediately to grant certiorari, this case surely should be held pending disposition of the other cases we have referred to, for the cases collectively present a situation in which the Seventh Circuit's lax standards threaten to undermine those heretofore prevailing throughout the country.

II.

THE COURT OF APPEALS SUSTAINED THE PATENT ON A GROUND REJECTED BY THE PATENT OFFICE.

We have never contended that a previous rejection on grounds of non-inventiveness, *once it is reversed* by the patent office, destroys the validity of the subsequently granted claim. However, in the present case, the examiner's holding that the addition of a sinuous blade and wiper cup to Zysset's combination did not "involve invention" *was never reversed* by the patent office. The Examiner ultimately allowed base Claim 1 which was predicated solely on the alleged novelty of the indexing device. Dependent Claim 2 thereupon, because it incorporated the indexing device and further limited it, became automatically patentable so far as inventiveness was concerned. At no time did the patent office make any finding that the addition of the sinuous blade and wiper cup made the combination described in Claim 2 independently inventive apart from the invention found in Claim 1 and carried into Claim 2. The examiners's holding that it did not stands unreversed.

III.

THE COURT OF APPEALS' HOLDING ON DAMAGES RAISES IMPORTANT QUESTIONS OF LAW UNDER 35 U. S. C. SECTION 284.

The dire consequences of the damage award are obscured by the Brief in Opposition:

> Many patents of questionable validity are issued. Competitors of the patentee must decide, with the aid of skilled, but fallible, patent lawyers, whether the patentee is justly entitled to the monopoly he asserts. Here Zysset, in the opening paragraph of his patent (App. 86a) admitted that household choppers similar to his were well known, but believed he was contributing the unique advantage of rotating the blade only during the final stage of its up-stroke. Zysset was wrong on his basic claim. This was all in the public domain and Popeil was entitled to full use of it. Yet, because Popeil's lawyers did not foresee that a Court of Appeals would announce that a dependent claim of the patent could stand as an independent invention, Popeil is to go to the wall under a damage award that would take from it far more than Respondents lost because of, or would have made but for, the asserted infringement.
>
> If such penal awards are permissible, no manufacturer or merchant who can be sued in the Seventh Circuit will dare contest a questionable patent for no patent lawyer, no matter how great his knowledge and experience, nor how deep his good faith, can predict with certainty the outcome of litigation. It is quite one thing to contest in good faith a questionable patent where the penalty, if one proves to be wrong, is payment of just compensation; quite another, where the penalty, if one is *even partially wrong*, is economic death. The instant decision on damages turns questionable or half valid patents, in the Seventh Circuit,

into vicious instruments of economic oppression by which a partially wrong patentee may take from a partially wrong infringer far more than the patentee shows he has lost or has been damaged.

We respectfully suggest that this Court should construe the statute and determine whether it authorizes so inequitable a result.

A.

When Congress, in 1946, deleted the word "profits" from the old statute's dual standard of "profits" and "damages" and then elaborated on the latter term to make it read "damages *adequate to compensate* for the infringement" it was not performing an idle act. We suggest it was abandoning the "trustee" theory of profits and was providing that patentees should recover only their actual loss or damage, save in cases where the circumstances warranted punitive relief. Under no stretch of semantics can it be said that an award of all profit earned by an infringer is necessary to "adequately compensate" the holder of a partially invalid patent for what it has lost *unless* the plaintiff proves it would have earned such profits in the absence of infringement.

Respondents assert that we have argued that the damage statute should be construed to mean that a "reasonable royalty" should be the ceiling, as well as the floor, of all infringement recoveries. We make no such contention. On the contrary, it is precisely because the legislative history of the statute and the conflicting opinions of the various circuits make it clear that "profits" *may* enter into an infringement recovery that this Court should grant certiorari to determine under what circumstances, whose profits, how measured, and how proximately connected with the infringement, may be "considered."

Respondents attempt to create the illusion that the case

law is consistent between the circuits by asserting that many cases hold (and no one has denied that fact) that a defendant's profits may properly *be considered*, although not awarded as such, in awarding "damages." But that doctrine, and whatever "consideration" may mean, begs the issue and does not justify the instant decision which *does* award Petitioner's profits *as such* and does so without pretense of a finding that Respondents would have made such profits absent the asserted infringement.

The cases since 1946 are in the irreconcilable confusion demonstrated at pages 22-27 of the Petition. For example, the Ninth Circuit's rule that a patentee "may be awarded damages for *his loss of profits* resulting from the infringement" (*Faulkner* v. *Gibbs*, 199 F. 2d 635, 638, 9th Cir., 1952) cannot be squared with the Seventh Circuit's rule here: "* * * the actual profits *of the defendant* were determinable * * *. Unless the nature of the case makes the employment of *such* measure of damages improper, or inequitable it should apply" (App. 16a). The effect of the instant decision is to sweep aside the concept of *compensatory* damages and to authorize a more sweeping and less discriminating "profits" recovery than ever was authorized by the old law.[3] This Court, we submit, should

3. The Brief in Opposition seeks to justify the present award by references to *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U. S. 448 (1936), from which the sentence "The wrongdoer must yield the gains begotten of his wrong." is wrenched out of context. Although certiorari papers do not permit adequate discussion of individual cases, it should be noted: (1) *Duplate* was one of the confusing and difficult cases under the old statute that led to the 1946 statute; (2) factually it was wholly dissimilar because it involved a completely valid patent and the infringer would have made no profits whatsoever in the field involved but for the infringement; and (3) the infringer drove the patentee's licensee out of business whereas here the experienced District Court found Respondents' competition "was a blessing in disguise" (App. 64a) for the patentee and his licensee. *Duplate* hence has no relevance save as a point of departure for construction of the present statute's standard of "damages adequate to compensate."

determine whether Congress ever authorized such a holding.

B.

Respondents would attribute to us a contention that the Court of Appeals should literally have "apportioned" the profits between infringing and non-infringing features of Petitioner's product. In the case of an asserted combination patent which, by its terms describes an entire device, the principle of "apportionment" cannot literally be applied as between infringing and non-infringing portions of the structure, as can be done where the patent covers only one part of a device. But the basic principle of proximate cause which underlies "apportionment" does apply, *i. e.*, the principle of ascertaining the *portion* of profits which would not have been earned but for *the features* which give the device its asserted patentability. As applied to this case, it must be remembered, as the patent itself recites (App. 86a), that food choppers operating in a bell-like housing, and without rotation and with variously shaped blades and wipers, are old, have been ordinary household items for years, and may be made by anyone. An omission of any *one* of the numerous elements recited in Zysset's patent would render a competing chopper of generally similar nature non-infringing.

From this it follows that the rules of proximate causation require a determination of how many fewer devices Petitioners would have sold had any one of the elements recited in Zysset's combination been omitted. *Only* the difference between the profits earned from the sale of choppers embracing Zysset's entire combination and those which would have been earned from selling a chopper lacking one or more elements of Zysset's combination could

be recoverable. *Singer Mfg. v. Cramer*, 109 F. 652 (9th Cir., 1901); *Dunkley v. Central Calif. Canneries*, 7 F. 2d 972 (9th Cir., 1925); *Horvath v. McCord Radiator & Mfg. Co.*, 100 F. 2d 326 (6th Cir., 1938).

Respondents contend that *Westinghouse Co. v. Wagner Mfg. Co.*, 225 U. S. 604 (1912) imposes the burden of proof in this regard on *defendant*. This is decidedly not true. That case holds that, as in any other tort case, *plaintiff* has the burden of proximate cause at least until he shows that defendant has by its own act made it impossible for plaintiff to sustain that burden. No such showing was even attempted. Moreover, even if Petitioner had had the burden of proof, it sustained that burden by showing that it sold 1,275,000 non-infringing choppers without automatic rotation and without wiper cups (App. 55a). It is clear that the Court of Appeals simply felt that Respondents were entitled to all of Petitioner's profits and that any consideration of proximate cause of damages, regardless of who had the burden thereon, was immaterial.

C.

Respondents take shocking liberties with the record in an attempt to explain the Court of Appeal's treatment of normal items of deduction from profits—ordinary, non-excessive corporate officers' salaries, and income taxes. Neither item is a part of corporate profits on any theory of profits. Yet, the Court of Appeals refuses to allow them to be deducted from gross profits. The treatment of these items is demonstrative of the complete mischief this decision will work throughout the country (or, if not accepted in other circuits, of how it will turn the Seventh Circuit into a patent plaintiff's heaven). These items have been until now, and the Brief in Opposition cites not a relevant decision to the contrary, standard items in law, and in accounting and common business practice, of cost or expense against gross profits.

In the case at bar, there is no finding that any officer took an excessive salary or that salaries were "a distribution of profits in disguise". With respect to taxes, it was unnecessary for the District Court to go into this subject atall because it awarded a recovery based solely on a royalty. The Court of Appeals' opinion, however, would preclude any investigation as to what the actual amounts taxes were.

CONCLUSION.

Respondents avoid the question as to patentability and advance make-weight arguments as to damages. The case is of importance to the structure of patent law. It would be a service to the country if the writ were granted.

Respectfully submitted,

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Petitioner respectfully shows that since its Reply was filed the United States Patent Quarterly published the November 21, 1963 decision of the Court of Appeals for the Sixth Circuit in *Holstensson* v. *V-M Corporation*, 139 USPQ 401,* which, on the standard of patentability applicable to combinations, is in direct conflict with the opinion of the Court of Appeals for the Seventh Circuit in this case.

Wherefore, petitioner prays leave to cite the *Holstensson* case in support of its Petition for Certiorari, and as cause for granting such leave respectfully shows:

Holstensson involved a combination patent covering an

* Because the opinion is not yet reported in the Federal Reporter, full copy is printed as an Appendix hereto.

automatic phonograph mechanism that permitted playing an uninterrupted succession of records. The patent combined several old elements with a new element, a hollow spindle for holding the records. Nonetheless, the Court of Appeals for the Sixth Circuit held a patent on the combination invalid, saying:

"* * * In the case at bar, one of the elements, the spindle type record dropper was new and constituted invention. This invention was combined with another element, the cycling mechanism, which was old and disclosed in the Arvidius patent. We, therefore, deal with a combination which brings together the new and the old. Such combinations have been held patentable as such, *William Mfg. Co. v. United Shoe Mach. Corp.*, 316 U. S. 364, 86 L. Ed. 1537, 53 USPQ 478; *Leeds & Co. v. Victor Talking Mach. Co.*, 213 U. S. 301, 53 L. Ed. 805. But to be so *it is necessary that the old contribute something more than mere presence, to the functioning, the utility and the novelty claimed to provide patentability for the total combination. Lincoln Eng'r Co. v. Stewart-Warner Corp.*, 303 U. S. 545, 549, 82 L. Ed. 1008, 1010, 37 USPQ 1, 3; *DeBurgh v. Kindel Furniture Co.*, 125 F. Supp. 468, 476, 103 USPQ 203, 208-209, affirmed, *DeBurgh v. Kindel Furniture Co.*, 229 F. 2d 740, 109 USPQ 27 (CA 6, 1956), 1 Walker, Patents, § 41 (Deller ed. 1937). *We feel that what was sought to be done with the new spindle type record dropper here was not unlike the Supreme Court's characterization of the inventor's conduct in Lincoln Engineering—'having hit upon the improvement he did not patent it as such but attempted to claim it in combination with other elements which performed no new function in his claimed combination.'* (303 U. S. 549, 82 L. Ed. 1010, 37 USPQ at 3)

"We think * * * it is fair to say that the old Arvidius cycling mechanism, claimed again in Claim No. 1 of the patent in suit, contributed no more to the operation of the claimed combination than the electric motor which provided the power for rotating the turntable. We recognize that the cycling mechanism, insofar

as it cooperates with the method for playing records of different sizes may, with new attachments not shown in the old Arvidius mechanism, do so, but Claim 1 here involved has nothing to do with a method for playing different size records.

"The claims are the measure of invention, *Smith* v. *Snow*, 294 U. S. 1, 11, 79 L. Ed. 721, 728, 24 USPQ 26, 30; *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U. S. 405, 418, 32 L. Ed. 1122, 1128; *Patrol Valve Co.* v. *Robertshaw-Fulton Controls Co.*, 210 F. 2d 146, 152, 100 USPQ 239, 243.

"We hold that Claim 1 does not disclose a patentable combination." (Emphasis supplied.)

Quite contrary to the doctrine of the Sixth Circuit, the Seventh Circuit, in the case at bar, stresses the uniqueness of the combination and not the creation of new function or new interaction of elements, old or new, as the touchstone of patentability. It expresses this several ways, saying:

> "It is the *combination* which was held valid and infringed—not any particular element thereof, *per se*. * * * The sinuosity of the blade and slot in the wiper cup was an important element in the 'combination claimed in the patent' * * *." (App. 9a.)

In distinguishing the *Wilson & McCallay* convoluted tobacco chopper patent the Seventh Circuit here says:

> "Its disclosure of a sinuous blade and clearing plate is not an anticipation of the *combination* of Zysset." (App. 11a.)

And in distinguishing subsequently found European patents, it again says:

> "Neither of these discloses or anticipates the *combination* of Zysset." (App. 11a.) (Emphasis court's in three foregoing quotations.)

The Court of Appeals for the Seventh Circuit stands on the doctrine enunciated in its first opinion herein that a combination is patentable if "none of the prior art refer-